

## Testimony in Support of Michigan SB 367 Affiliated Group Election

Chairman Brandenburg, Vice-Chairman Jansen and Members of the Committee, my name is Jeff Hyde. I am Senior Tax Counsel for GE Capital Corp. and I am representing General Electric Company & Affiliates.

Thank you for allowing me to submit testimony in support of SB 367 which would provide an "affiliated group election" for the Michigan Corporate Income Tax (CIT). An affiliated group election, if adopted by Michigan, would have a significant positive impact on the administration of the CIT by:

- Expediting the compliance process,
- Reducing audit process time and costs, and
- Creating a fair and objective standard for determining group members.

In 2011, Michigan enacted the CIT. Like its predecessor, the Michigan Business Tax (MBT), the CIT is based on the principals of the unitary business group, in which the "taxpayer" consists of all related corporate members engaged in business as a "unitary business group". However, the CIT definition of "unitary business group" continues the vagueness and uncertainty that was part of the MBT unitary group determinations. In our experience, identifying the appropriate members of the unitary business group requires a highly fact-specific review. Determining the group composition can be so uncertain that this issue alone will extend the audit by several years without reaching a resolution for on-going tax years.

An affiliated group election that aligns the CIT filing group with a taxpayer's federal filing group will:

- Provide more certainty in the group composition,
- Enhance the filing of a more accurate return, and
- Reduce time and expense spent in reviewing or auditing the return.

Consistent with the methodology adopted by other states (MA, WI) an irrevocable election to align the CIT filing group with a taxpayer's federal filing group would alleviate the vagueness inherent in the unitary group analysis by providing an objective standard of >50% common ownership. The passage of SB 367 would provide the taxpayer with a fair and efficient methodology for determining the CIT filing group. Equally important for Treasury, the irrevocable ten year election of SB 367 mitigates changes to the CIT filing group other than for buying and selling of companies.

An affiliated group election will significantly simplify the administration of the CIT and we strongly support its adoption.

Thank you for permitting me to address this important issue with you today. I am available for questions at your convenience.